

CIA/OER/S-06767-75 COMMENTS ON OMB DRAFT OF PRESIDENTIAL ISSUE
PAPER FEB 75 UNCL/CIA INTERNAL USE ONLY 01 OF 01

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S-6767
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7 February 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Comments on OMB Draft of a Presidential
Issue Paper on Target Prices (S-6767)

1. On 4 February 1975, I telephonically provided comments to Richard Butler, OMB, on the subject paper (attached) with the qualification that they did not represent a formal CIA position but only my personal views. The comments were as follows:

a. The paper is predicated on too pessimistic an economic outlook for the 1975/76 period -- both for the US and worldwide. No allowance is made for some economic improvement by early 1976 -- so stated in President Ford's economic report -- which could strengthen demand for grain and live-stock products.

b. The paper strongly implied that US grain will be in excess supply in FY 76 causing grain prices to fall below target prices. Yet, the Secretary of Agriculture has asked US farmers to maximize production because demand will be strong and prices profitable. What are the facts? No USDA study has been presented to the Deputies Group on Food projecting FY 76 demand for grain or probable farm price levels.

c. Given the short stock position for US grains, strong foreign demand, and inflation, it doesn't seem realistic to project next year's farm prices below \$2.50/bushel for wheat and \$1.50/bushel for corn. Therefore, target prices could be raised as much as 25 cents without any danger of increasing budget exposure. It might be proposed that the President agree to a small increase in target prices to blunt Congressional critics, to provide an incentive to farmers, and to lend support to the administration's call for full farm production.

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d. The paper points up the lack of a national agricultural policy which would address such problems as building grain stocks in a year of excess supply, multi-year food aid programs, and projected foreign demand for US agricultural products.

2. The OMB proposal was discussed at the 5 February meeting of the Deputies Group on Food. It was recommended that OMB recast the paper to give the President three options:

- accept some increase in target prices for wheat and feedgrain;
- veto any increase; and
- take no public stand on the issue at this time.

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Attachment: As stated

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